STRIDES PHARMA SCIENCE LIMITED (FORMERLY STRIDES SHASUN LIMITED)

Regd. Office: No. 201 Devavrata, Sector 17, Vashi, Navi Mumbai 400 703.

Corp. Office: "Strides House", Bilekahalli, Bannerghatta Road, Bangalore-560 076.

STATEMENT OF CONSOLIDATED UNAUDITED RESULTS

FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2018

Rs. in Lakhs

Sl. No.	Particulars	3 Months ended December 31, 2018	Preceding 3 Months ended September 30, 2018	Corresponding 3 Months ended in the previous year December 31, 2017	Year to date figures for the current period ended December 31, 2018	Year to date figures for the previous period ended December 31, 2017	Previous year ended March 31, 2018
		UNAUDITED	UNAUDITED	UNAUDITED*	UNAUDITED	UNAUDITED*	AUDITED*
		(1)	(2)	(3)	(4)	(5)	(6)
	Continuing operations						
I	Revenue from operations	79,450	73,263	74,879	219,059	217,523	283,938
II	Other income	83	773	1,566	1,920	7,226	9,406
III	**Total income (I + II)**	**79,533**	**74,036**	**76,445**	**220,979**	**224,749**	**293,344**
IV	**Expenses**						
	(a) Cost of materials consumed	19,667	26,003	16,194	73,283	62,665	84,750
	(b) Purchases of stock-in-trade	16,240	16,382	11,937	47,442	32,974	43,915
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	2,365	(7,160)	6,777	(13,184)	12,966	9,219
	(d) Employee benefits expense	10,602	11,875	11,315	33,013	32,870	43,405
	(e) Finance costs	5,009	4,848	4,977	14,269	15,077	19,624
	(f) Depreciation and amortisation expense	4,067	4,449	3,795	12,803	10,969	15,403
	(g) Other expenses	17,867	16,203	15,560	47,758	45,046	62,995
	Total expenses (IV)	**75,817**	**72,600**	**70,555**	**215,384**	**212,567**	**279,311**
V	**Profit before exceptional items and tax (III - IV)**	**3,716**	**1,436**	**5,890**	**5,595**	**12,182**	**14,033**
VI	Exceptional items - net gain / (loss) (Refer note 16)	74	(739)	(632)	(1,159)	(2,193)	(4,358)
VII	**(Loss) / Profit before tax (V + VI)**	**3,790**	**697**	**5,258**	**4,436**	**9,989**	**9,675**
VIII	Share of profit / (loss) of joint ventures and associates	(696)	(1,230)	(323)	(2,717)	(1,159)	(1,680)
IX	**(Loss) / Profit before tax (VII + VIII)**	**3,094**	**(533)**	**4,935**	**1,719**	**8,830**	**7,995**
X	**Tax expense**						
	- Current tax	2,534	1,097	3,266	3,845	3,674	4,851
	- Deferred tax	(1,901)	(936)	(3,065)	(3,638)	(2,610)	(4,283)
	Total tax expense (X)	**633**	**161**	**201**	**207**	**1,064**	**568**
XI	**(Loss) / Profit after tax from continuing operations (IX - X)**	**2,461**	**(694)**	**4,734**	**1,512**	**7,766**	**7,427**
XII	**Discontinued operations**						
	- Profit / (Loss) from discontinued operations	-	-	(5,721)	-	(7,559)	(8,446)
	- Gain on disposal of assets / settlement of liabilities attributable to the discontinued operations (net)	27,182	(203)	12,980	26,978	12,658	71,031
	- Tax expense / (benefit) of discontinued operations	-	(27)	3,182	(27)	2,198	1,573
XIII	**Profit/(loss) after tax from discontinued operations**	**27,182**	**(176)**	**4,077**	**27,005**	**2,901**	**61,012**
XIV	**Profit/(loss) for the period (XI + XIII)**	**29,643**	**(870)**	**8,811**	**28,517**	**10,667**	**68,439**

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STATEMENT OF CONSOLIDATED UNAUDITED RESULTS

FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2018

Rs. in Lakhs

Sl. No.	Particulars	3 Months ended December 31, 2018	Preceding 3 Months ended September 30, 2018	Corresponding 3 Months ended in the previous year December 31, 2017	Year to date figures for the current period ended December 31, 2018	Year to date figures for the previous period ended December 31, 2017	Previous year ended March 31, 2018
		UNAUDITED	UNAUDITED	UNAUDITED*	UNAUDITED	UNAUDITED*	AUDITED*
		(1)	(2)	(3)	(4)	(5)	(6)
XV	**Other comprehensive income**						
A	(i) Items that will not be reclassified to statement of profit and loss	(632)	231	(21)	(404)	(1,875)	(2,028)
	(ii) Income tax relating to items that will not be reclassified to statement of profit and loss	-	-	45	5	45	5
B	(i) Items that may be reclassified to statement of profit and loss	(3,977)	350	(3,766)	(6,649)	(1,456)	(619)
	(ii) Income tax relating to items that may be reclassified to statement of profit and loss	(1,237)	696	(128)	252	671	1,041
	Total other comprehensive income for the period (XV)	**(5,846)**	**1,277**	**(3,870)**	**(6,796)**	**(2,615)**	**(1,601)**
XVI	**Total comprehensive income for the period (XIV + XV)**	**23,797**	**407**	**4,941**	**21,721**	**8,052**	**66,838**
	Profit for the period attributable to:						
	- Owners of the Company	29,342	(1,201)	8,548	27,710	9,568	66,452
	- Non-controlling interests	301	331	263	807	1,099	1,987
		29,643	**(870)**	**8,811**	**28,517**	**10,667**	**68,439**
	Other comprehensive income for the period						
	- Owners of the Company	(5,415)	1,020	(3,753)	(6,753)	(2,498)	(1,550)
	- Non-controlling interests	(431)	257	(117)	(43)	(117)	(51)
		(5,846)	**1,277**	**(3,870)**	**(6,796)**	**(2,615)**	**(1,601)**
	Total comprehensive income for the period						
	- Owners of the Company	23,927	(181)	4,795	20,957	7,070	64,902
	- Non-controlling interests	(130)	588	146	764	982	1,936
		23,797	**407**	**4,941**	**21,721**	**8,052**	**66,838**
	Earnings per equity share (face value of Rs. 10/- each) (for continuing operations)						
	(1) Basic (in Rs.)	2.41	(1.14)	5.00	0.79	7.45	6.08
	(2) Diluted (in Rs.)	2.41	(1.14)	4.99	0.79	7.44	6.08
	Earnings per equity share (face value of Rs. 10/- each) (for discontinued operations)						
	(1) Basic (in Rs.)	30.36	(0.20)	4.55	30.15	3.24	68.17
	(2) Diluted (in Rs.)	30.35	(0.20)	4.55	30.15	3.24	68.15
	Earnings per equity share (face value of Rs. 10/- each) (for total operations)						
	(1) Basic (in Rs.)	32.77	(1.34)	9.55	30.94	10.69	74.25
	(2) Diluted (in Rs.)	32.76	(1.34)	9.54	30.94	10.68	74.23
	See accompanying notes to the Financial Results						
	*** Restated**						

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FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2018

Notes:

1 These financial results have been prepared in accordance with Indian Accounting Standards ('Ind AS') prescribed under Section 133 of the Companies Act, 2013 and other accounting principles generally accepted in India and in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2 The above consolidated results were reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on January 29, 2019. The statutory auditors have carried out limited review of the above results for the quarter and nine months ended December 31, 2018 and have issued unmodified opinion.

3 On July 2, 2018 and July 18, 2018, the Company received shareholders' approval and approval from Registrar of Companies, respectively, for change of name to Strides Pharma Science Limited.

4 During the previous quarter, the Group obtained approval from the shareholders for sale of its wholly owned subsidiary 'Strides Chemicals Private Limited' to Solara Active Pharma Sciences Limited for a consideration of not less than Rs. 13,100 lakhs. Consequently, the subsidiary has been sold on August 31, 2018 for a consideration of Rs.13,100 lakhs. The balance consideration receivable as at December 31, 2018 is Rs. 9,010 lakhs.

5 On April 20, 2018, the Group entered into business purchase agreement with Solara Active Pharma Sciences Limited ('Solara") to sell the assets (consisting of Plant & machinery, equipment, computer software and other related capital work in progress) and business conducted by the Group at Strides API Research Centre (SRC) along with the employees for a consideration of Rs, 3,573 lakhs and working capital subject to adjustment and finalisation for Rs. 83 lakhs. The same was approved by the board of directors on March 31, 2018.

Accordingly, the results of the SRC unit are included in the discontinued operations for the respective period set out in Note 11 below.

6 During the quarter ended June 30, 2018, 40,000 equity shares under the Strides Arcolab ESOP 2011 Scheme and 8,878 equity shares under Strides Arcolab ESOP 2015 Scheme were allotted by the Company, on exercising equal number of options.

During the previous quarter ended September 30, 2018, 315,500 equity shares under the Strides Shasun ESOP 2016 Scheme were granted to the eligible employees.

During the current quarter ended December 31, 2018 563 equity shares under Strides Arcolab ESOP 2015 Scheme were allotted by the Company on exercising equal number of options.

7 The Group, during the previous quarter, restated its consolidated financial results for earlier periods to record deferred tax liability amounting to Rs.17,069 lakhs on business acquired from Aspen Pharma Pty Limited, Australia during the financial year ended 31 March 2016 with a corresponding adjustment to goodwill as of the acquisition date. The corresponding adjustment as of March 2018 amounted to Rs. 16,794 lakhs and Rs.15,889 for goodwill and deferred tax liability respectively.

The above adjustment had a consequential impact in the statement of profit and loss on account of reversal of deferred tax liability on amortization of the related intangibles subsequent to the date of initial recognition amounting to Rs.185 lakhs, Rs.316 lakhs and Rs.405 lakhs for the years ended 31 March 2016, 2017 and 2018, which were not material to the results of the respective periods. The corresponding impact for the nine months and quarter ended 31 December 2017 was Rs.303 lakhs and Rs.101 lakhs respectively.

8 Pursuant to the approvals of the board of directors of the Company, the Group entered in to definitive agreements with India Life Sciences Fund III, LLC (ILF) for investment in Consumer Healthcare (CHC) business. During the current quarter, ILF invested in Strides Global Consumer Healthcare Ltd, UK and Strides Consumer Private Limited, India consequent to which the Group ceded its control over the entities carrying out CHC business. However, the group continues to exercise significant influence and has classified its investments in CHC business as "Investment in Associates".

In accordance with the provisions of Ind AS 110 'Consolidated Financial Statements', the Group recognised gain of Rs.5,830 Lakhs, being the excess of fair value of retained investment in CHC business over the carrying value of net assets in CHC business on account of loss of control, under exceptional items.

9 In May 2018, the Group and Apotex Inc (Apotex) announced the intention to merge their respective Australia business into a new Company. On September 30, 2018, The Australian Competition and Consumer Commission (ACCC) announced not to object to the proposed merger.

Based on additional due diligence and further deliberations, the Board of Directors proposed to divest its entire interest in the Australia business to Dennis Bastas- Executive Chairman of Arrow Pharmaceuticals Pty Limited, Australia (Arrow) for an upfront consideration and with the group retaining product supply rights for future.

The transaction is subject to the Company's shareholders' approval, completion of the merger of Arrow and Apotex, execution of definitive sale agreements and completion of certain other closing conditions and accordingly has not been accounted for as of December 31, 2018

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10 On December 4, 2013, the Company and its wholly owned subsidiary, Strides Pharma Asia Pte Limited ("the Singapore Subsidiary"), completed the sale of investments in Agila Specialties Private Limited and Agila Specialties Global Pte Limited (together, "Agila") to Mylan Laboratories Limited and Mylan Institutional Inc. (together, "Mylan") pursuant to separate agreements, each dated as of February 27, 2013 (the "SPAs"). Pursuant to the SPAs, the Strides Group established escrow arrangements to fund certain potential indemnification liabilities, including specified employee, tax and regulatory remediation costs from such consideration. These escrow arrangements included a US$ 100 million 'General Claims Escrow' account and a US$ 100 million 'Regulatory Escrow' account. Pursuant to the SPAs, the Company has also provided a corporate guarantee to Mylan for US$ 200 million (valid up to December 4, 2020) on behalf of Singapore Subsidiary which can be used for discharging financial obligations, if any, of the Singapore Subsidiary to Mylan.

Under the terms of the SPAs, claims against the Company / the Singapore subsidiary (as the case may be) can only be made under specific provisions contained in the SPAs which include the procedures and timelines for submission of notifications of claims and actual claims and commencing arbitration proceedings. The Company had received a consolidated notification of claims from Mylan under the terms of the SPAs. These claims were related to third party claims, tax claims, claims against the regulatory escrows and general claims. In the previous years, a significant portion of these claims were settled out of the Regulatory Escrow deposit and the remaining balance of the Escrow account was recognised as income on full and final settlement of related claims. Further, the Company and Mylan also agreed on full and final settlement of warranty and indemnity claims to be adjusted against the 'General Claims Escrow'. During the previous period, the Group and Mylan was in arbitration proceedings for certain third party claims.

During the current quarter, the arbitration proceedings with respect to the third party claims have been settled in favor of the Group and Mylan. The Group and Mylan have entered into an agreement whereby Mylan has released the pending balance in Escrow account. The group has recorded a net gain of INR 27,182 Lakhs (net off related expenses and outstanding tax claims) under discontinued operations (Refer Note 11 below).

11 **Results of discontinued operations (including discontinued operations of earlier periods)**

Rs. in Lakhs

Sl. No.	**Particulars**	**3 Months ended December 31, 2018**	**Preceding 3 Months ended September 30, 2018**	**Corresponding 3 Months ended in the previous year December 31, 2017**	**Year to date figures for the current period ended December 31, 2018**	**Year to date figures for the previous period ended December 31, 2017**	**Previous year ended March 31, 2018**
		UNAUDITED	**UNAUDITED**	**UNAUDITED**	**UNAUDITED**	**UNAUDITED**	**AUDITED**
I	Total Revenue	-	-	1,598	-	50,039	50,049
II	Total Expenses	-	-	7,288	-	57,472	58,369
III	**Profit/(loss) before exceptional items and tax (I - II)**	**-**	**-**	**(5,690)**	**-**	**(7,433)**	**(8,320)**
IV	Exceptional items	-	-	31	-	126	126
V	**Profit/(loss) before tax (III - IV)**	**-**	**-**	**(5,721)**	**-**	**(7,559)**	**(8,446)**
VI	Gain / (loss) on disposals (net)	27,182	(203)	12,980	26,978	12,658	71,031
VII	Tax expense / (benefit)	-	(27)	3,182	(27)	2,198	1,573
VIII	**Profit/(loss) from discontinued operations (V + VI - VII)**	**27,182**	**(176)**	**4,077**	**27,005**	**2,901**	**61,012**

12 The Group has adopted Ind AS 115, Revenue from Contracts with Customers with effect from April 1, 2018. The core principle of this standard is that the Group shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Under Ind AS 115, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer which is different from transfer of risk and rewards under the old revenue standard.

Further, pursuant to the requirements of the new standard, the Group also evaluated its open arrangements on out-licensing arrangements with reference to upfront license fees received in earlier periods and concluded that some of the performance obligations may not be distinct and hence would need to be bundled with the subsequent continuing obligations. Accordingly, the Group has recognised an incremental deferred revenue relating to such open contracts on the transition date.

Adoption of this standard resulted in decrease in retained earnings by Rs. 6,098 lakhs as at March 31, 2018 and increase in Revenue from Operations by Rs.2,799 lakhs with a corresponding increase in expenses by Rs. 2,343 lakhs (primarily on account of increased material costs) resulting in a net increase in profit after tax by Rs. 431 lakhs and an increase in diluted EPS by Rs. 0.48 for nine months ended December 31, 2018. Comparative periods were not restated given the Group adopted the standard using the cumulative effect approach.

13 Subsequent to the quarter, the group proposed to acquire the remaining 50% equity stake in Vivimed Life Sciences Private Limited, India (associate) and in Strides Vivimed Pte Limited, Singapore (subsidiary) for an aggregate consideration of INR 7,500 Lakhs. The transaction is subject to conclusion of definitive agreements and closing conditions.

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14 Subsequent to the quarter, the group through its subsidiary Strides Pharma Inc. USA, proposed to acquire 100% equity stake in Vensun Pharmaceuticals Inc. USA for a base consideration of USD 182 Lakhs (USD 40 Lakhs towards equity and USD 142 Lakhs towards loan) and a deferred contingent consideration up to a maximum of USD 750 Lakhs to be paid over a maximum period of 6 years. The transaction is subject to conclusion of definitive agreements and closing conditions.

15 Subsequent to the quarter, the group through its subsidiary Strides Pharma Canada Inc. Canada, proposed to acquire 80% equity stake in Pharmapar Inc. Canada, for a consideration of CAD 40 Lakhs. The transaction is subject to conclusion of definitive agreements and closing conditions.

16 **Exceptional Item gain/ (loss) (net):**

Rs. in Lakhs

Particulars	3 Months ended December 31, 2018	Preceding 3 Months ended September 30, 2018	Corresponding 3 Months ended in the previous year December 31, 2017	Year to date figures for the current period ended December 31, 2018	Year to date figures for the previous period ended December 31, 2017	Previous year ended March 31, 2018
	UNAUDITED	**UNAUDITED**	**UNAUDITED**	**UNAUDITED**	**UNAUDITED**	**AUDITED**
- Exchange gain/ (loss) on long-term foreign currency loans, derivatives and intra-group loans	(797)	(166)	795	(1,126)	395	332
- Impairment of Goodwill	(3,700)	-	-	(3,700)	-	(141)
- Fair valuation of investment (Refer note 8)	5,830	-	-	5,830	-	-
- Write down of inventories and other assets	-	-	-	-	(108)	(1,574)
- Business combination and restructuring expenses	(1,007)	(176)	(900)	(1,294)	(1,746)	(1,963)
- Unwinding of discount on gross obligations over written put options and contingent consideration	(252)	(253)	(527)	(725)	(734)	(1,012)
- Loss on sale of Investment in subsidiaries	-	(144)	-	(144)	-	-
Total	**74**	**(739)**	**(632)**	**(1,159)**	**(2,193)**	**(4,358)**

17 Information on Standalone Results : -

Rs. in Lakhs

Particulars	3 Months ended December 31, 2018	Preceding 3 Months ended September 30, 2018	Corresponding 3 Months ended in the previous year December 31, 2017	Year to date figures for the current period ended December 31, 2018	Year to date figures for the previous period ended December 31, 2017	Previous year ended March 31, 2018
	UNAUDITED	**UNAUDITED**	**UNAUDITED**	**UNAUDITED**	**UNAUDITED**	**AUDITED**
Total Revenue from continuing operations	43,675	35,879	35,596	116,108	118,733	162,581
Profit/(loss) before Tax from continuing operations	1,780	(1,159)	2,950	1,813	7,344	16,414
Profit/(loss) after Tax from continuing operations	1,531	(1,027)	4,375	1,559	8,806	15,646
Profit/(loss) before tax from discontinued operations	-	(469)	9,426	(470)	6,577	75,166
Profit/(loss) after tax from discontinued operations	-	(403)	6,164	(404)	4,300	73,514

18 The Group's operations for the current and previous year relate only to the "Pharmaceutical business" and accordingly no separate disclosure for business segments is being provided.

19 Previous period figures have been regrouped to conform with the classification adopted in these financial results.

For and on behalf of the Board

Arun Kumar
Group CEO & Managing Director

Bengaluru, January 29, 2019